ANNUAL PROGRESS REPORT ON IMPLEMENTATION OF PUBLIC LAW 106-107 THE FEDERAL FINANCIAL ASSISTANCE MANAGEMENT IMPROVEMENT ACT
U.S. Department of Education
2005

I. Participation in the Government-wide Streamlining and Grants.gov Efforts

♦ The U.S. Department of Education (Department) continues to be a very active and consistent partner in all designated P.L. 106-107 interagency work groups, including Pre-Award, Post-Award and Audit Oversight. The Department representatives participate regularly and substantively in each of these work groups, and are active in the Grants.gov initiative included in the President's Management Agenda (PMA).[1]

♦ **Title 2 of the Code of Federal Regulations.** The Department continues to participate on the Pre-Award Work Group to complete the simplification of the OMB guidance and agency regulations located in Title 2 of the Code of Federal Regulations (CFR). In a single title, Title 2 provides guidance to federal agencies on grants and on other non-procurement agreements. This guidance not only benefits applicants and recipients, but also Federal officials who make and administer assistance awards.

♦ The Department participated in the team of representatives from the Pre-Award and Post-Award Work Groups that prepared in CFR format the cost principles for institutions of higher education, other nonprofit organizations, and State and local governments that are in OMB Circulars A-21, A-87, and A-122.[2] The team also prepared draft *Federal Register* notices to relocate the three circulars in Subtitle A of 2 CFR.

♦ **Draft Debarment and Suspension Guidance.** As part of the Interagency Suspension and Debarment Committee (ISDC), the Department worked to revise OMB's guidance on debarment and suspension [3] in order to put this guidance in a form suitable for agency adoption, and to

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[1] Executive Office of the President—Office of Management and Budget—The President's Management Agenda, url: http://www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf.

[2] In addition to OMB Circulars A-21, A-87, A-110, and A-122, which now are located in 2 CFR, the circulars related to grants and agreements that will be relocated in the future include the administrative requirements in the common rule implementing OMB Circular A-102; the audit requirements in OMB Circular A-133; and the implementation of the Federal Program Information Act, in OMB Circular A-89.

[3] The OMB guidance on nonprocurement debarment and suspension is issued under Section 6 of Executive Order 12549 and, prior to adoption of the revised version in 2 CFR, was last amended on June 26, 1995 [60 FR 33036].

incorporate the substance of the updated common rule that Federal agencies adopted on November 26, 2003 [68 FR 66534]. The ISDC also prepared the draft *Federal Register* notice to locate the guidance in Subtitle A of 2 CFR.

♦ A Department representative co-chairs the newly established **National Grants Partnership (NGP)** along with a representative of the National Association of Auditors, Comptrollers, and Treasurers (NASACT). The NGP includes representation from State and local governments, Tribal governments, and nonprofits, including community and faith-based organizations. The Department strongly supports efforts to increase the representation of these groups in the P.L. 106-107 implementation process. The NGP coordinates with these entities, the Grants.gov Program Management Office (PMO), and the P.L. 106-107 PMO to develop strategies to streamline the Federal grants process.

♦ **Standard Award Format.** As a part of the Pre-Award Work Group, the Department participated in the Work Group's efforts to develop OMB guidance that would establish a standard award format and, to the extent practicable, standard language for award content. The elements of the notice include the award notice itself, the general terms and conditions, and the administrative requirements. Once completed, this OMB guidance will be located in the new Title 2 of the Code of Federal Regulations.

♦ **Mandatory Grant Application.** The Department's program and policy staff worked with the Mandatory Grants Work Group on the SF-424 (M), the mandatory grant application/plan cover page. On January 3, 2005, the SF-424 (M) was published in the *Federal Register* for emergency clearance [70 FR 89]. On February 28, 2005, the SF 424 (M) cover page was published in the *Federal Register* for regular clearance [70 FR 9656]. The Department will continue to work with the Mandatory Grants Work Group to review comments on the February 28, 2005 *Federal Register* notice and recommend changes, as needed, to the SF-424 (M). Planning is underway to use this new form in FY 06.

♦ **Performance and Financial Reports.** The Department continues its involvement in the development, review, and comment on work products from various sub-groups of the Post-Award Work Group, including a Performance Progress Report (PPR), Invention Reporting, the Personal Property and Real Property Reports, and the Federal Financial Report (FFR). The Department piloted some of the proposed non-research performance reporting forms with selected grantees and was actively engaged in the review of government-wide comments on the PPR. The PPR will allow agencies to: 1) establish similar reporting requirements for similar types of activities, 2) better fulfill their responsibilities under the Government Performance and Results Act, and 3) use the information from the PPR to assist in completing the Performance Assessment Rating Tool required by OMB.

♦ **Research and Research Related Grants.** Department staff participated with other federal agencies on the Research Business Models (RBM) Subcommittee in developing recommendations that were approved by the National Science and Technology Council's Committee on Science. These recommendations establish the Federal Demonstration Partnership (FDP) terms and conditions as the interim core set of terms and conditions for research and research-related grants to entities covered by OMB Circular A-110 (2 CFR part 215). OMB and the Council issued a

Federal Register notice [70 FR 4159, January 28, 2005] to solicit public comment on the proposal.

♦ The Department works with the Grants.gov interagency Research and Related (R & R) Work Group, other research agencies, and the FDP on the development, review, and implementation of the SF-424 R&R common research application. The Department plans to use the research application for most of its own research-oriented programs.

♦ **Audit Oversight Work Group.** The Audit Oversight Work Group and its Subgroups are focused on increasing awareness and understanding of audit requirements, and improving the quality of audits. The Department continues to provide training to its staff on the single audit process. The training emphasizes that Department staff can and should use single audits to identify specific problems that generate the audit findings.

♦ **Quality of Single Audits.** The Department's Office of Inspector General (OIG) provided leadership and coordinated with other Federal OIGs in conducting a national single audit project to review and evaluate the quality of single audits. Still in progress, this project will provide a statistically reliable estimate of the extent to which single audits conform to applicable audit requirements, standards, and procedures. The findings and results of this project will be used as a basis for recommendations to improve the single audit process.

♦ **Grants.gov Support.** The Department continues to provide annual financial support to Grants.gov as a partner and as one of the largest grant-making agencies. Department personnel are now required to use the Grants.gov Find module. ED has increased the number of programs that use the Grants.gov Apply module. In addition, representatives continue to attend Grants.gov stakeholder meetings and Executive Board meetings on a regular basis. Department staff also attend special workshops sponsored by Grants.gov, such as the Applicant System-to-System Workshop held in the Spring of 2005, and the SF-424 Working Group meetings held in the Fall of 2004.

♦ **Grants Management Line of Business.** During the past year, the Department co-chaired the Grants Management Line of Business (GMLOB) Task Force with the National Science Foundation (NSF). The GMLOB task force was established to review the existing grant making process and the systems that support that process to determine ways to streamline and improve grants management across the federal government. The Department, along with NSF, took the lead on the GMLOB and established a process for obtaining agency input, feedback, and buy-in to the proposed common solution concepts and business case. The Task Force published a Request for Information (RFI) in GSA's <u>Federal Business Opportunities</u> on April 15, 2004 and published a "Modification" of the RFI on April 16, 2004 (See: <u>http://www2.eps.gov/spg/GSA/OGP/OAP/Reference%2DNumber%2DRFI%2D04%2D001/listing .html</u>. This link allows both public sector agencies and vendors to review and evaluate existing grants management software solutions. The Department served on both the RFI evaluation team charged with evaluating the RFI documents and agency surveys, and on the Common Solution White Paper drafting team charged with developing the framework and content of the GMLOB business case.

♦ The initial efforts of the GMLOB task force laid the foundation to further streamline grants

management to achieve the GMLOB vision to support end-to-end grants management activities that promote citizen access, customer service, and agency financial and technical stewardship.

Internal Efforts to Create an Environment Conducive to Grants Streamlining and Simplification and Assess Impact of Changes

General Approach

♦ **Executive Oversight.** The Chief Financial Officer, with advice from senior management, makes recommendations to the Secretary and ensures resources for the implementation of the PMA. The Secretary and the CFO review and make recommendations for policies to support internal streamlining efforts that complement those directed to external constituencies.

♦ **Outreach Efforts.** The Department has initiated an outreach effort to inform potential applicants and grantees that the Department is transitioning from Education's e-Application system to the Grants.gov system to receive electronic applications. To date, notices have appeared in the Federal Register, on the Department's e-Application system, and on the Department's website. In addition, the Department is preparing other Grants.gov outreach materials (e.g., a web cast) to make available to grantees and potential applicants.

♦ The Department is one of the core partner agencies of Grants.gov, permanently represented on the Grants.gov Executive Board. The Department's Chief Financial Officer participates on the board.

♦ The Department continues to improve access to information and services via the Internet, and continues to provide the capability to carry out much of its grants management business with customers online. The Department is developing additional materials that will help applicants get started on the Grants.gov site, including a web cast that will explain the processes of registering and applying for a grant. This web cast will be posted on the Department's website.

♦ In addition to the outreach efforts described above, the Department conducts presentations on its use of Grants.gov at annual conferences for organizations such as the Council for Resource Development, and at workshops for individual programs.

♦ **Faith-Based.** As a major partner in training applicants that are faith-based and community organizations, the Department includes a discussion of the P.L. 106-107 and Grants.gov activities in the funding opportunities presentations for the White House Faith-Based and Community Organizations Conferences. The Department will be taking the lead in facilitating the development of a library of on-line resources for each of the agency centers for faith-based and community initiatives to address both the general Federal requirements of these processes as well as unique issues pertaining to the specific agencies.

♦ **Electronic Grant Application Submission.** The Department amended regulations, which govern the process for submitting discretionary grant applications, to remove provisions requiring specific

application formats, thereby officially permitting electronic submission of applications.[4] Over the past five years, the Department has been accepting electronic applications on a pilot basis; however, the new regulation makes electronic submission an official method of transmission. In cases where potential applicants do not have adequate computer equipment to gain access to the Internet, a process has been established to permit applicants to submit paper applications in lieu of electronic applications.

♦ On February 10, 2005, the Office of the Chief Financial Officer issued a *Federal Register* notice [70 FR, 7088] of new policies and procedural requirements for the electronic submission of grant applications.[5] Under this new policy, when an applicant is required to submit an application electronically through Grants.gov or e-Application, the applicant will be permitted an exception to this requirement and the Department will allow the submission of an application in paper format by mail or hand delivery only in two sets of circumstances. A summary of the notice, including a description of these circumstances, can be found at the following link: http://www.ed.gov/policy/fund/guid/gposbul/esubmitpolicysummary.html

♦ Management support for the implementation of P.L. 106-107 and Grants.gov is very strong. The Department continues to increase opportunities for its grant customers to do business with the Department electronically. Not only do applicants have the option to submit applications electronically for over 80 percent of discretionary grant competitions, an increasing number of those competitions now require electronic submission. Additionally, grantees continue to have the capability to draw down funds electronically, as well as, submit performance reports and administrative changes for an increasing number of programs electronically. The successful implementation of electronic grant transactions at the Department continues to facilitate applicants' transition to submitting electronic applications via Grants.gov.

♦ **Staff and Customer Feedback.** The Department continues to share feedback on Grants.gov with the Grants.gov Program Management Office based on staff experiences with Grants.gov and customer feedback from e-mail, phone, and face-to-face interactions with customers at workshops and conferences.

♦ **No Child Left Behind.** The No Child Left Behind Act of 2001 (NCLB) provides to States the option of applying for and reporting on multiple Elementary and Secondary Education Act (ESEA) programs in a consolidated manner. Although a central, practical purpose of the Consolidated State Application and the Consolidated State Performance Report is to reduce the burden on States, the use of consolidated data collections also is important in encouraging the integration of State, local, and ESEA programs through comprehensive planning and service delivery across multiple State and local programs. A common goal of all educational agencies--State, local, and federal--is a more coherent, well-integrated educational system that results in improved teaching and learning. Consolidated applications and reports facilitate achievement of

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[4] Federal Register: July 8, 2004 (Volume 69, Number 130)--Direct Grant Programs--Final regulations, url: http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/pdf/04-15473.pdf.

[5] Federal Register: February 10, 2005 (Volume 70, Number 27)—Electronic Submission of Grant Applications Through Grants.gov and eApplication--Notice, url: http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-2600.pdf.

this goal. The Consolidated State Performance Report (CSPR) also provides a framework for States to supply information on State activities and outcomes of specific ESEA programs as required for the mandated Secretary's Report to Congress and for the Secretary to report on the Department's measures under the Government Performance and Results Act.

♦ **The Performance-Based Data Management Initiative (PBDMI).** PBDMI, developed collaboratively by the Department, the State Education Agencies, and the Council of Chief State School Officers, ensures that cost-effective, timely, and high-quality data will be available to assess the progress and performance of the Department's programs and meet the requirements of NCLB. States are working with the Department to transform their K-12 data collection requirements into a core set of non-duplicative data elements, then collect and transmit information for those data electronically to the Department's central and coordinated data repository (the Education Data Exchange Network (EDEN)). EDEN will provide tools to analyze these data and develop timely performance reports to meet Federal legislative requirements for accountability, as well as for policy development and program planning and management purposes.

♦ **Performance-Based Monitoring.** In partnership with grantees, ED is making steady progress toward the implementation of a performance-based monitoring system that links accountability to results. Comprehensive information on monitoring activities is essential to standardize and improve monitoring policies and procedures, identify strengths, and implement needed improvements.

♦ Through Department-wide coordinated monitoring efforts, principal offices are better able to assess grantee progress in post-award activities, integrate program performance and fiscal management, make informed decisions about improvements in monitoring practices, and mitigate risk in accordance with their operational effectiveness plans. The remaining principal offices are developing risk mitigation solutions in key programs to best utilize monitoring resources.

♦ In FY 2004, OCFO received key baseline information on 165 discretionary and formula grant programs active in FY 2003 and an office-wide annual monitoring report.   Each principal office is updating the data for each CFDA program and submitting an office-wide monitoring report for FY 2004 and FY 2005 by October 31, 2005.

♦ **Annual Grant Investment Portfolio.** The Department continues to implement an Annual Grant Investment Portfolio Process.   The intent of this process is to: 1) align investment in grants with the Department priorities and sound policy; 2) facilitate the awarding of high-quality grants in a timely fashion; 3) ensure satisfactory results from grant investments through effective performance monitoring; and 4) improve operational consistency across multiple offices and requirements, by making policy decisions early and integrating performance measures and budget activity. This process significantly accelerated the awarding of discretionary grants in FY 05 compared with previous years.

♦ **Revised ED 524B Performance Report.** The PMA requires that agencies integrate program budgets with performance indicators and outcomes. In support of this focus on results, the Department revised and OMB approved changes to the ED 524B Performance Report that collect

specific performance data. The Department provided guidance and training to staff and grantees on the revised ED 524B. In addition, the Department has made the new version of the ED 524B available through its eReports software so that grantees can submit their reports electronically. The Department expects to align its 524B efforts with the proposed PPR family of forms when available. This form integrates program budget information with performance indicators. Grantees provide the dollar amount of the grant awarded and then report on measures developed by the Department or the grantee for this project. The revised form also includes an institutional code to allow it to link to Departmental performance and other statistical databases, including EDEN, Common Core of Data (CCD) and the Integrated Postsecondary Education Data System (IPEDS).

♦ **Data Analysis and Forms Development Project.** As a part of a Data Analysis and Forms Development Project, the Department completed an analysis of all its discretionary and formula grants programs, including all forms used by these programs. Recommendations were made to streamline and consolidate forms to the extent possible. (See also section II C)

II. Implementing the Changes Affecting the Pre-Award Process

A. Grants.gov FIND

♦ Since March 2003, the Department has posted 100% of its funding opportunities in the Grants.gov FIND module. All grant announcements use the prescribed format. As of 07/14/05, the Department has 60 grant synopses in the active database and 326 grant synopses in the archive database of Grants.gov FIND.

♦ OCFO staff maintains a Grants.gov FIND User Database and updates Department staff on information released by the Grants.gov Program Management Office. Department staff are also informed about any enhancements or changes to Grants.gov FIND and Grants.gov APPLY.

♦ The Office of the General Counsel (OGC) reviews a copy of each grant funding opportunity synopsis before it is posted at Grants.gov to ensure that it responds to all appropriate data elements and accurately reflects information in the full application notice (grants announcement) that the Department publishes concurrently in the Federal Register. OGC began this process March 1, 2003.

♦ Department program offices are now familiar with and capable of routinely preparing synopses for the Grants.gov FIND module.

B. Announcement Template

♦ Within the Department, the Division of Regulatory Services (DRS) of OGC has responsibility for implementation and oversight of the Office of Federal Financial Management (OFFM) Policy Letter of June 23, 2003.

♦ The policy letter requires agencies to use a specific template when announcing grant competitions. The Department is in compliance with the policy letter with respect to all application notices that it publishes in the Federal Register. Because DRS reviews all regulatory documents to be published in the Federal Register, including application notices, DRS ensures that these notices comply with the policy letter's requirements.

♦ As needed, DRS makes technical and other revisions to the chapter of the Department's Regulatory Quality Manual containing instructions for drafting application notices for direct (discretionary) grants and cooperative agreements to conform to Department practice and the OFFM policy letter.

♦ Currently DRS is revising the instructions and form of notice to reflect recent changes in the Department's administrative regulations regarding procedures for submitting applications. DRS also has invited Regulations Officers and other officials to review their experience with the format prescribed by the policy letter and recommend any changes to improve the form of notice. Changes within the Department's purview will be considered and, if appropriate, implemented by the agency. The Department will consult with OMB on any suggested changes that do not conform to the policy letter's requirements to determine if the Department may make these changes and, if not, to request that OMB consider them in any future revisions to the format prescribed by the policy letter.

C. Grants.gov APPLY

♦ **Grants.gov APPLY.** The Department kicked-off its FY 2005 Grants.gov activities with its annual Department-wide meeting on electronic grants. Because of the Department's plans to increase significantly the number of grant competitions using Grants.gov to receive electronic applications, the featured speaker this year was the Program Manager of Grants.gov. Education program staff received information on both Grants.gov Find and Apply to help them with the transition from using the Department's e-Application system to using Grants.gov to receive electronic applications.

♦ The Department continues to fully participate in Grants.gov activities and is completing its second year of transition to Grants.gov to accept electronic applications. The Education Department was the first agency to post an application package on Grants.gov when the Apply function became operational in October 2003. Since then, the Department has continued to actively provide electronic applications via Grants.gov and was one of the first agencies to

implement an automated interface with Grants.gov in FY 2004.

♦ Since the Department's interface with Grants.gov was implemented mid-year during FY 2004, FY 2005 is Education's first full year of Grants.gov participation with an automated Grants.gov interface. Having a fully automated capability to pull electronic applications from Grants.gov into the Department's grants management system allowed the Department to increase the number and types of grant competitions that can use Grants.gov.

♦ During FY 2005, the Department is using Grants.gov Apply to accept grant applications for approximately one quarter of its discretionary grant competitions. By the end of FY 2005, the Department will meet the Grants.gov target to post a total of 40 grant competitions on Apply since its inception. And as of mid-July, over 750 electronic applications have been received by the Department via its Grants.gov interface.

♦ The Department expects to further increase the programs that can use Grants.gov and analyzed all grant forms during FY 2005. With this analysis, the Department has made significant progress in eliminating some of the barriers keeping certain grant competitions from using Grants.gov.

♦ **Data Analysis and Forms Development Project.** The goal of the Data Analysis and Forms Development project is to determine which discretionary and formula grant forms can be streamlined and/or eliminated and whether additional forms (other than the Department standard forms) need to be created for certain programs to use Grants.gov to accept electronic applications. Program Offices have reviewed and accepted recommendations for streamlining (combining or eliminating) grant forms. Data analysis templates have been prepared for these forms to support the transition to Grants.gov. The Department plans to train staff to prepare Data Analysis Templates for upcoming program submissions.

♦ Discussions are underway with the Department's Chief Information Officer on how the data collected in the Data Analysis and Forms Development Project may be used for future program competitions. Further discussions with program staff on how to use existing Grants.gov forms will be scheduled in the upcoming year. Although the analysis task is complete, additional work will continue in FY 2006 to eliminate and consolidate forms, and requests will be made for Grants.gov to develop a limited number of forms.

♦ **Grants.gov Training.** During FY 2005, the Department implemented a Grants.gov training course for staff. To develop the course, the Department adapted Grants.gov train-the-trainer materials to cover Department-specific needs and created additional training materials on the Grants.gov interface. These materials describe how applications from Grants.gov are received and processed in the Department's grants management system.

♦ **Grants.gov Outreach.** In addition to training staff, the Department conducts presentations on Education's use of Grants.gov at annual conferences for organizations such as the Council for Resource Development, and at applicant preparation workshops for individual Department of Education programs. The focus of these presentations is on both the submission and the registration processes, including the requirement for applicants to have a DUNS number and the need for organizations to register with the Central Contractor Registry. The Department also has

posted written guidance about Grants.gov in the Federal Register and on the Department and e-Application websites. This guidance encourages applicants to register to use Grants.gov.

♦ The outreach, training and forms analysis done in FY 2005 will help the Department increase the number of competitions accepting applications via Grants.gov in FY 2006. The Department is working on its schedule for FY 2006 and plans to use Grants.gov for approximately half of its discretionary grant competitions, which is a significant increase over FY 2005 participation.

♦ The Department uses its existing e-Application site to help publicize Grants.gov by posting a link to the Grants.gov web site. In addition, the Department continues to speak to applicants and grantees at workshops and conferences about the Department's electronic grants process and to make those audiences aware that Grants.gov is the future of electronic grant applications for the Federal government. As part of these presentations, the Department includes information on the Grants.gov registration process.

♦ The Department has urged its applicants both in application notices and at national conferences to complete the Grants.gov registration process well in advance of actually preparing a Grants.gov application. The Department has required its grantees to have a DUNS number since 1998. Consequently, most of the outreach related to the new government-wide requirement for a DUNS number has been done for new applicants, particularly faith-based, non-profit organizations.

III. Other

♦ **Grants Management Line of Business (GMLoB).** The Department fully supports the GMLoB initiative and plans to align with GMLoB as further details/instructions on its implementation are revealed in the coming months. During the summer of 2004, the Department identified high-level system requirements for grants management, as its existing grants management system is reaching the end of its life cycle. During the summer of 2005, a more detailed requirements gathering effort was conducted to develop an implementation plan for submission to the GMLoB for concurrence. The Department is looking to implement a new grants management system that has the potential to be used by other government agencies in alignment with the GMLoB. This new system will be aligned with internal data collection systems like the Department's performance management database, EDEN, and the budget data system.

♦ **Federal Enterprise Architecture.** In conducting an analysis for streamlining and consolidating all grant application forms, the contractor for this task was requested to develop work products that are consistent with the Department's Enterprise Architecture Data Standards and Guidelines for Grants. These deliverables were requested to be in an electronically readable format, preferably one that can be imported into the Popkin System Architect tool.

♦ The Department participates in OMB's Committee on Architecture and Infrastructure Governance. This Committee is leading a federal government-wide effort to establish the

use of Extensible Markup Language data definitions for public health and education agencies at both the federal and state levels. The Department established a Data Architecture Committee that will incorporate the eGrants data dictionary into the Department's Enterprise Data Dictionary. The Grants.gov data dictionary material has been received by the Department's Enterprise Architecture Team and is being incorporated into its Central Repository.

Conclusion

In summary, as a major Federal grantmaking agency awarding $44 billion for approximately 19,000 grants, the Department is a leader in interagency efforts to implement all aspects of P.L. 106-107. Departmental representatives are active leaders and participants on the Grants Management Executive Board and all P.L. 106-107 interagency workgroups and subgroups. The Department strongly supports the interagency electronic grants activities carried out under the President's e-Gov Initiative. We currently serve as a partner agency in the Grants.gov Initiative, assist as a technical evaluator for the accessibility of Grants.gov, and co-chair the National Grants Partnership. We previously co-chaired the Grants Management Line of Business task force as well. In the coming year, we will continue to aggressively pursue a broad grants streamlining agenda that fulfills the legislative intent of P. L. 106-107.